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The investment situation

New York

1919

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The Investment Situation

MARCH, 1919

R. W. PRESSPRICH & CO.
40 WALL STREET
NEW YORK
TELEPHONE, JOHN 307

GOVERNMENT
STATE
MUNICIPAL

HIGH GRADE
INVESTMENT
BONDS

27 Feb. 1920 - C.R.W.

Outlook

After emerging from a period when judgment and foresight count for naught, owing to the ever changing war conditions, the investor again finds himself confronted with a multitude of perplexing questions, resulting in hesitancy. Taxes, industrial re-adjustment, additional government financing and the world's money requirements all loom up to puzzle his clear vision. Those guided by natural economic laws, with courage of their convictions, and some iota of patience will, no doubt, be the benefactors.

In endeavoring to assist a prospective investor, let us review those subjects most important in formulating an opinion.

To-day we are at the threshold of re-adjustment. As we did not prepare our armies in a day, so will we not re-act to normal in a day. Commodity and labor prices moved upward by degrees and demands for money kept pace. During this process of conforming to war conditions, prices of our best seasoned and secured fixed investments, depreciated to meet the rising rates for money.

Is it not reasonable to expect the reverse to take place by degrees and is it not bound to come?

Supply and demand are the natural laws which ultimately control and determine, in the broad sense, prices, whether it be commodity, labor or money. If you believe this theory, which history from time immemorial has proven correct, why are we not facing cheaper commodities, cheaper labor, cheaper money?

The immense war demands upon the world for materials and money, with consequent decrease in supply of labor is now to be replaced by falling demands and greater productivity. There are those who argue that re-construction will be great enough to stabilize these conditions. Indications thus far do not substantiate this theory. War demands are imperative and immediate; peace demands more gradual and adjustable to conditions and economic laws.

Again, as the basis of all wealth comes out of the ground and the great requirements of the past four years were foodstuffs and materials, of which this country has been the chief source of supply, it is difficult to estimate by how many billions the nation has been enriched. This fact alone has so materially increased working capital that our resources are greater than ever.

Lower prices should tend to lessen the demand for money necessarv to the carrying on of business, and when capital tied up in high priced materials is relased, these factors would work to produce before long, an easy money market.

Invariably this condition broadens the demand for old time long seasoned high grade securities and the longer this prevails, the higher prices will advance until the return becomes so low as to divert attention to the next grade of securities, and so on until all fixed investments show a general improvement.

The effect that high taxes have on securities of fixed return is naturally to depress prices of such of them as are subject thereto, to a level where the increased income derived will partially compensate the investor for the tax. Conversely, when taxes are dcreased, the yield from fixed interest bearing securities, subject to tax, is increased and prices improve. Is it not likely that we are now confronted by income and war taxes as heavy as any that we shall be called upon to bear, and that gradually as the tremendous expenditures incident to the prosecution of the war are curtailed, the heavy burden of taxation will be lightened?

If this should prove to be the case, will not those standard high grade securities whose prices have, in our opinion, largely, if not completely, discounted present conditions, be among the very first to show marked improvement?

The subject of government financing and its effect on security values is open to many conflicting opinions. We do not yet know the terms of the new Victory Liberty Loan, its rate of interest, tax exemption features, maturity, etc. But whatever its terms, it is likely that it will be the last large government borrowing for some time to come. This means, that when the next loan has been placed, the Government will not compete with private enterprise in its demand for capital, which to that extent will seek profitable investment in other channels.

In summing up, it is needless to say that present prices on standard fixed investments are low and indications all point to a postbellum re-adjutsment marked by an upward trend.

The wise investor, as a preliminary, always considers the past and present and tries to look into the future. On reaching his conclusions, he then seeks information as to the merits of various investments. When thus fortified, he is qualified to act intelligently.

The services and experience of our organization are at your disposal.

R. W. PRESSPRICH & CO.

STATE AND MUNICIPAL BONDS

Free from all Federal Income Taxes

***STATE OF CALIFORNIA 4½% Coupon Bonds**

Interest January 3 and July 3 — Due July 3 1940

Assessed Valuation	$3,806,865,179
Total Bonded Debt	41,169,500
Population -	2,377,549

101⅜ and Interest, to net 4.40%

***STATE OF TENNESSEE Refunding 4½% Coupon Bonds**

Interest January and July — Due July 1, 1940

Assessed Valuation	$680,840,986
Total Debt	14,267,000
Population -	2,184,789

100⅝ and Interest, to net 4.45%

***CITY OF NEW YORK Registered 3½% Bonds**

Interest May and Nov. — Due Nov. 1, 1929

92⅝ and Interest, to net 4.40%

***CITY OF NEW ROCHELLE, N. Y. 4¼% Registered Bonds**

Interest May and Nov. — Due May 1, 1922 and 1923

Tax Free in New York State

Assessed Valuation	$67,003,777
Total Debt	4,003,643
Population -	31,758

To Net 4.45%

***CITY OF CLEVELAND, OHIO Street Imp. 4½% Coupon Bonds**

Interest March and September — Due March 1, 1925

Assessed Valuation	$1,298,048,920
Net Debt	50,237,321
Population -	668,803

100 and Interest, to net 4½%

RAILROAD BONDS

***CHICAGO, ST. PAUL, MINNEAPOLIS & OMAHA First Consolidated Mortgage 6% Bonds**

Interest June and December — Due June 1, 1930

Secured by a first mortgage on approxtmately 1,589 miles of important mileage and on 80 miles additional, subject to $536,000 underlying bonds, for the retirement of which an equal amount of these bonds is reserved.

This road is controlled by the Chicago & Northwestern through ownership of a majority of the stock, and forms a very important part of that system. Both this road and the Northwest have a very long dividend record.

Price Range—High 1914—120¾, Low 1917—102.

106¼ and Interest, to net 5¼%

ILLINOIS CENTRAL RAILROAD Collateral Trust 4% Bonds

Interest April and October — Due April 1, 1952

Closed mortgage of $15,000,000 secured by a first lien through deposit of $16,350,000 First Mortgage 5% Bonds on 863 miles, including the main line west from Chicago and many important branches, thereby underlying Illinois Central Purchased Lines 3½s and Illinois Central Refunding 4s.

Capital Stock outstanding, $109,296,060.

Dividends have averaged over 5½% since 1900. Present rate 7%.

Price Range—High 1914—93, Low 1918—72½.

79½ and Interest, to net about 5:30%

CENTRAL PACIFIC First Refunding 4% Bonds

Interest February and August — Due August 1, 1949

Guaranteed principal and interest by Southern Pacific, which owns the entire capital stock.

First mortgage on over 1,300 miles, 731 miles of which is main line forming a direct route between Sacramento, Cal., and the Union Pacific System near Ogden, Utah, and 296 miles of which is main line extending from Sacramento to the Oregon State Line.

Price Range—High 1914—94½, Low 1918—75.

81 and Interest, to net about 5¼%

CHICAGO, MILWAUKEE & ST. PAUL Gen. Mortgage 4½% Bonds

Interest January and July — Due May 1, 1989

Secured by a first lien on 3,970 miles, the majority of which is main line, and also by a second lien on 2,394 miles, subject to only $44,346,000 prior liens.

Underlies $178,000,000 General and Refunding, and Debenture Bonds and over $233,000,000 Preferred and Common Stocks.,

Price Range—High 1917—105¼, Low 1918—77½.

83 and Interest, to net about 5.45%

BALTIMORE & OHIO (Toledo, Cincinnati Division) First and Refunding 4% Bonds

Interest January and July — Due July 1, 1959

A direct obligation of the Baltimore & Ohio, collaterally secured by deposit of bonds representing a first mortgage on 185 miles and on 204 miles additional (144 miles of leasehold interest and 60 miles subject to prior liens) serving the four important cities of Cincinnati, Hamilton, Dayton and Toledo.

Price Range—High 1918—68, Low 1918—57½.

66½ and Interest, to net about 6.30%

ERIE RAILROAD First Consolidated Prior Lien 4% Bonds

Interest January and July — Due January 1, 1996

A closed mortgage of $35,000,000 secured by a direct or collateral lien on over 1,600 miles (938 miles double tracked) subject to about $69,000,000 prior liens and followed by over $90,000,000 bonds and notes.

Price Range—High 1917—87¼, Low 1917—65.

69 and Interest, to net about 5⅞%

ERIE RAILROAD Consolidated General Lien 4% Bonds

Interest January and July — Due January 1, 1996

$35,855,000 outstanding and secured by the same mortgage as the Consolidated Prior Lien 4s referred to above, covering the same property, but junior in lien thereto.

Price Range—High 1915—77, Low 1917—47½.

55 and Interest, to net about 7½%

SOUTHERN RAILWAY COMPANY 3-Yr. 6% Secured Gold Notes

Interest March and September — Due March 1, 1922

Redeemable at 101 and Interest

These notes are a direct obligation of the Southern Railway Company, secured by deposit of $43,500,000 Southern Railway Development and General 4% Bonds, due 1956, the market value of which at present quotations exceeds the amount of notes by approximately $4,000,000. Surplus earnings over all charges for interest and rentals aggregated over $66,000,000 for the 10½ year period prior to Federal Control. For the year ending Dec. 31, 1917, this balance amounted to $14,037,415,

99¼ and Interest, to net over 6¼%

MISCELLANEOUS BONDS

NEW YORK TELEPHONE COMPANY 30-Year Sinking Fund 6% Debenture Bonds

Interest February and August — Due February 1, 1949

Redeemable at option of company on sixty days notice at 110 and Interest

Cumulative Sinking Fund of $375,000 annually, sufficient to retire entire issue of $25,000,000 Debentures before maturity.

The net income has averaged over five and a half times interest charges for last nine years. Dividends of at least 6% per annum have been paid since 1896 and for the last eight years 8% per annum.

Amount of stock outstanding, $125,000,000.

101 and Interest, to net almost 6%

BROOKLYN EDISON COMPANY General Mortgage Gold, Series "A" 5% Bonds

Interest January and July — Due January 1, 1949

Exempt from personal property tax in New York State

Direct obligation of Brooklyn Edison Company, serving a population of about 1,600,000 and secured by a mortgage on all its property, subject to $11,996,000 underlying bonds, followed by $1,762,300 Debenture Bonds and $17,237,700 capital stock, dividends on which have been paid at the rate of 8% per annum since 1904.

91 and Interest, to net about 5⅝%

Further detailed information supplied on request.

*Legal for Savings Banks and Trust Fund Investments in New York State.

This information and these statistics are not guaranteed but have been obtained from sources we believe to be accurate.

END OF
TITLE